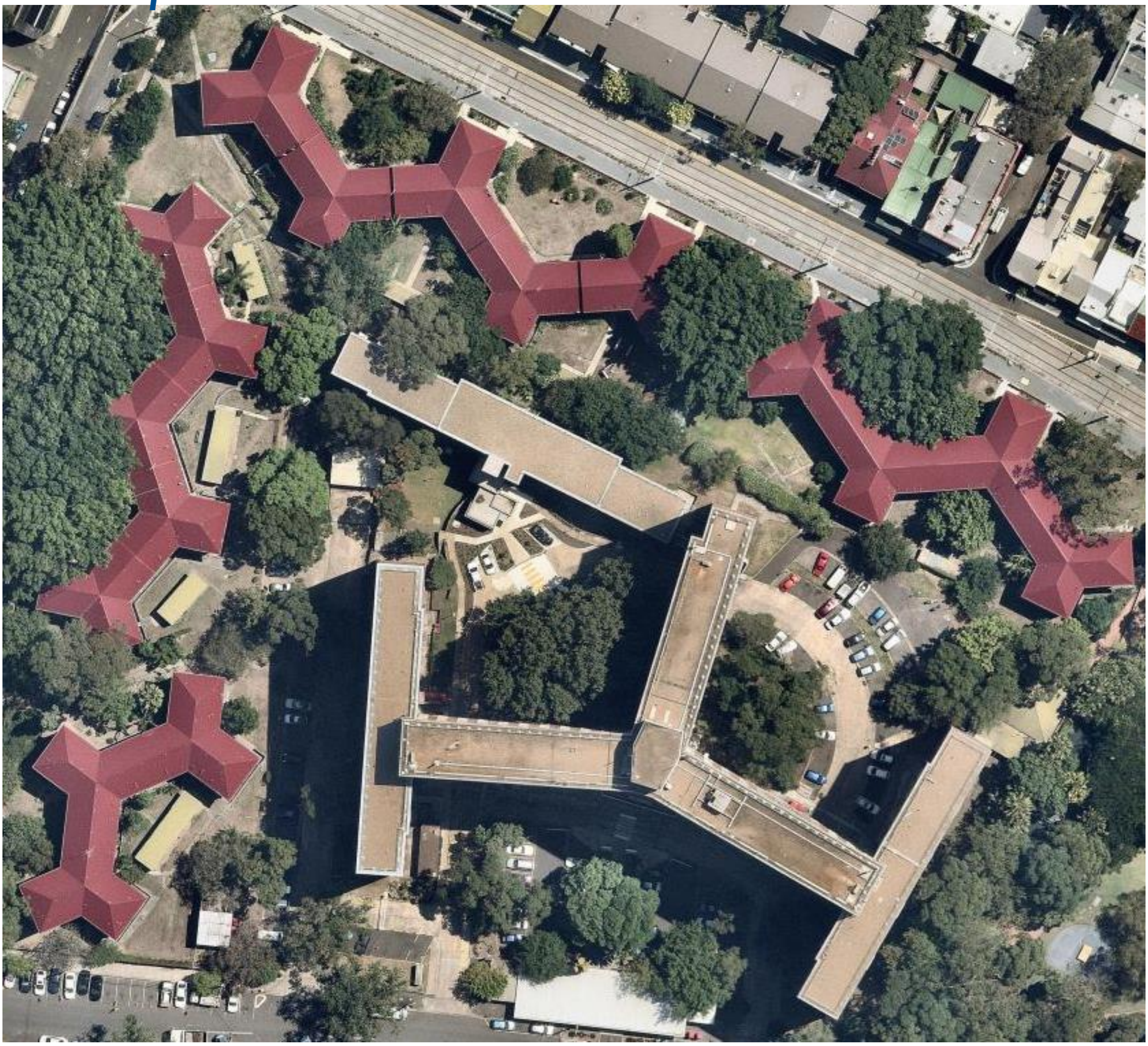


1H FY20 ANALYST PACK

HALF YEAR ENDED 31 DECEMBER 2019

Contents

Important Note
Information presented in the 1H FY20 Analyst Pack is presented on an operational basis (rather than statutory) to reflect a management view of the business. Nearmap Limited (ACN 083 702 907) also provides statutory reporting as prescribed under the Corporations Act 2001 (Cth). The Nearmap Limited 1H FY20 Financial Report is also available from Nearmap's website at www.nearmap.com/investors.
The analyst pack is not audited. The statutory net loss after tax as disclosed in the consolidated profit or loss (page 16) has been prepared in accordance with Australian Accounting Standards and the Corporations Act 2001 (Cth). The results for 1H FY20 are extracted from the audited consolidated statement of comprehensive income.
Tables may not add due to rounding of amounts.
Any forward-looking statements included in this document are by nature subject to significant uncertainties, risks and contingencies, many of which are outside the control of, and are unknown to, Nearmap, such that actual results or events may vary from those forward-looking statements and the assumptions on which they are based.
Past performance is not an indicator of future performance and no guarantee of future returns is implied or given. While Nearmap has sought to ensure that information is accurate by undertaking a review process, it makes no representation, guarantee or warranty as to the accuracy or completeness of any information or statement contained in this document. In particular, information and statements in this document do not constitute investment advice or a recommendation on any matter and should not be relied upon.

The Nearmap Analyst Pack is prepared for shareholders and investors, and summarises the financial and operational metrics for the six months ended 31 December 2019, with comparatives for the six months ended 31 December 2018 and 30 June 2019 respectively.

Operating segments are as follows:

- **North America (NA)** – sales and marketing efforts in the United States and Canada;
- **Australia and New Zealand (ANZ)** – sales and marketing efforts in Australia and New Zealand.

A portion of general and administration costs, representing general operating expenses and un-capitalised development expenses, are not directly attributable by operating segment and remain unallocated.

This pack is to be read in conjunction with the "Appendix 4D Half Year Report for the half year ended 31 December 2019" and the "Investor Presentation Half Year Results 31 December 2019" released to the ASX on 19 February 2020.

Nearmap overview

Nearmap is one of the few global companies possessing a rich, continually expanding data set about the real world – data providing high-value insights to a diverse range of businesses and government organisations.

With Nearmap, organisations unlock opportunities that consistently inform decision making and transform the way they work. Delivered within days of capture using a SaaS (Subscription as a Service) model, our imagery is much higher resolution than satellite imagery and shows changes over time.

Aerial imagery is a key component of the location intelligence market – a large and growing market impacting all parts of business life. The companies that win will create and own deep location data and invest in the insights that can be derived from that data.

Nearmap has unique technology and a business model that no other aerial imaging company globally has been able to replicate at scale. This gives Nearmap a multi-year advantage over our closest competitors, with a strong balance sheet that supports our organic growth.

NEARMAP CAPTURES IMAGERY IN 4 COUNTRIES…

United States – 71% population coverage

Canada - 64% population coverage

Australia - 89% population coverage

New Zealand – 75% population coverage

…DELIVERED AS A RANGE OF PRODUCT FEATURES…

Orthogonal (2D) imagery

Oblique cardinal direction imagery

3D online and AI content

…BRINGING THE TRUTH ON THE GROUND TO OUR CUSTOMERS TO ENHANCE THEIR PRODUCTIVITY

Diverse customer base:

- Architecture, Construction & Engineering (ACE)
- Government
- Insurance & Property
- Solar
- Utilities
- Commercial

Reducing the need for costly, time consuming site visits to:

- Plan & inspect
- Monitor & validate
- Assess risk
- Communicate & visualize
- Estimate & quote
- Generate leads

Group performance indicators

	1H19	2H19	FY19	1H20	YoY %
Group ACV portfolio (A$'000)					
Opening ACV	66,234	78,316	66,234	90,240	36%
New business	7,820	9,566	17,386	8,584	10%
Net upsell	4,791	4,361	9,152	4,599	(4%)
Churn	(1,351)	(2,163)	(3,514)	(6,880)	(409%)
Net incremental ACV	11,260	11,764	23,024	6,303	(44%)
FX impact	822	160	982	33	
Closing ACV	78,316	90,240	90,240	96,576	23%
Group revenue	35,486	42,156	77,642	46,347	31%
Gross margin (%) - pre-capitalisation	69%	69%	69%	68%	
12 month churn (%)	5.5%	5.3%	5.3%	11.5%	
Closing ARPS ($)	8,410	9,208	9,208	9,580	14%
Portfolio LTV (A$m)	983	1,175	1,175	571	(42%)
Opening subscriptions	8,863	9,312	8,863	9,800	11%
New business	952	1,049	2,001	850	(11%)
Churn	(503)	(561)	(1,064)	(569)	(13%)
Closing subscriptions	9,312	9,800	9,800	10,081	8%
Group Sales Team Contribution Ratio	117%	99%	106%	44%	
Earnings					
Group EBITDA	8,056	7,428	15,484	3,219	(60%)
Group EBIT	(514)	(10,661)	(11,175)	(18,907)	(3,578%)
Statutory NPAT	(1,974)	(12,960)	(14,934)	(18,607)	(843%)
Operating cash flow	10,744	14,155	24,899	(787)	(107%)

The key metrics which Nearmap manages represent the following:

Annualised Contract Value (ACV) – ACV represents the annualised value of all active subscription contracts in effect at a particular date. Subscriptions in Australia, New Zealand, the United States and Canada are typically for 12-month periods with customers paying the subscription in full upfront. The revenue is recognised evenly over the subscription period. ACV is a key metric for the company, with the nature of the subscription model determining that incremental ACV will drive revenue growth in the subsequent financial period.

Group ACV grew by 23% to $96.6m (30 June 2019: $90.2m) with growth in both ANZ and NA. ACV performance in each region is discussed in the segment results below.

Sales Team Contribution Ratio (STCR) – STCR represents the ratio of incremental ACV generated by a sales team in a period, compared to the direct costs of obtaining that incremental ACV. This measures how quickly the cost of acquiring a subscription is recovered from the subscription itself, with a ratio of greater than 33% generally seen as effective in a SaaS business (i.e. recovery of customer acquisition costs from customer revenues within a three-year period).

Group STCR decreased to 44% in 1H20 (FY19: 106%), This reflects the impact of a number of events in 1H20, as discussed in the following sections.

Churn – Churn represents the ACV value of subscriptions which were not renewed by a customer at the end of a subscription period, offset by the value of recovered subscriptions previously churned. The churn percentage is calculated as a proportion of the opening ACV value in a 12-month period.

Group 12-month churn increased to 11.5% (FY19: 5.3%) reflecting two enterprise churn events in NA and a combination of consolidated subscriptions and Nearmap execution issues in ANZ.

Subscriptions – Subscriptions reflect the number of individual subscription contracts entered into by Nearmap customers, who range from small and medium businesses to large enterprises.

Group subscriptions increased to 10,081 (30 June 2019: 9,800) with growth in subscription numbers coming from both ANZ and NA.

Average Revenue Per Subscription (ARPS) – ARPS represents the closing ACV portfolio value divided by the number of subscriptions.

Group ARPS increased to $9,580 (30 June 2019: $9,208). This growth was driven by ANZ customers, highlighting the increasing utility customers experience from the expanding set of content types provided by Nearmap. NA ARPS decreased in part due to three enterprise churn/downgrade events that happened in 1H20, but also as momentum in the NA core business grew, with the acquisition of a growing number of SME businesses giving greater diversity to the overall portfolio.

Gross Margin (pre-capitalisation) – Gross Profit is calculated after deducting the costs of capturing, processing and storing the imagery. Capture and processing costs are capitalised and amortised on a straight-line basis. Until 31 December 2018, these costs were amortised over 5 years. From this date, the period has been adjusted to 2 years. For consistency and ease of reporting, Gross Margin in the table above is presented before these costs have been capitalised.

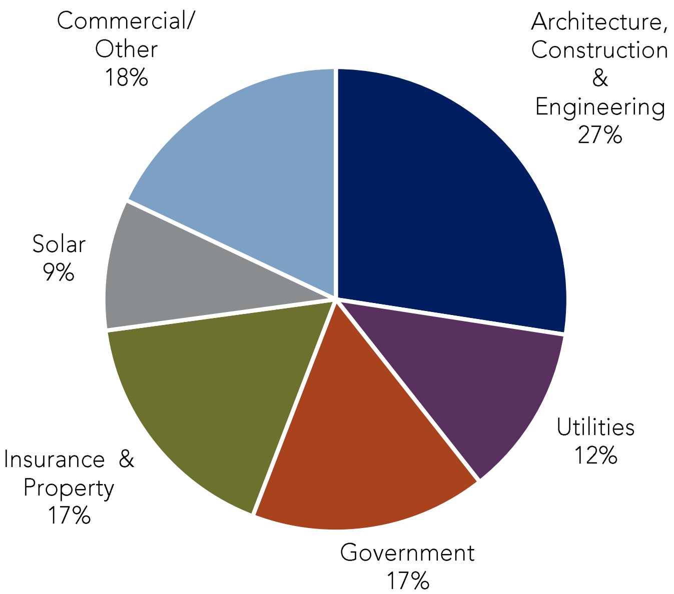
Gross Margin (pre-capitalisation) has decreased from 69% in FY19 to 68% in 1H20. Capture costs have increased from $13.3m in 2H19 to $14.7m as coverage and frequency improvements are made to the capture program.

Portfolio Lifetime Value (LTV) – Portfolio LTV is calculated as:

$$\frac{\text{ACV portfolio value x Gross Margin \% (pre-capitalisation)}}{\text{Churn \%}}$$

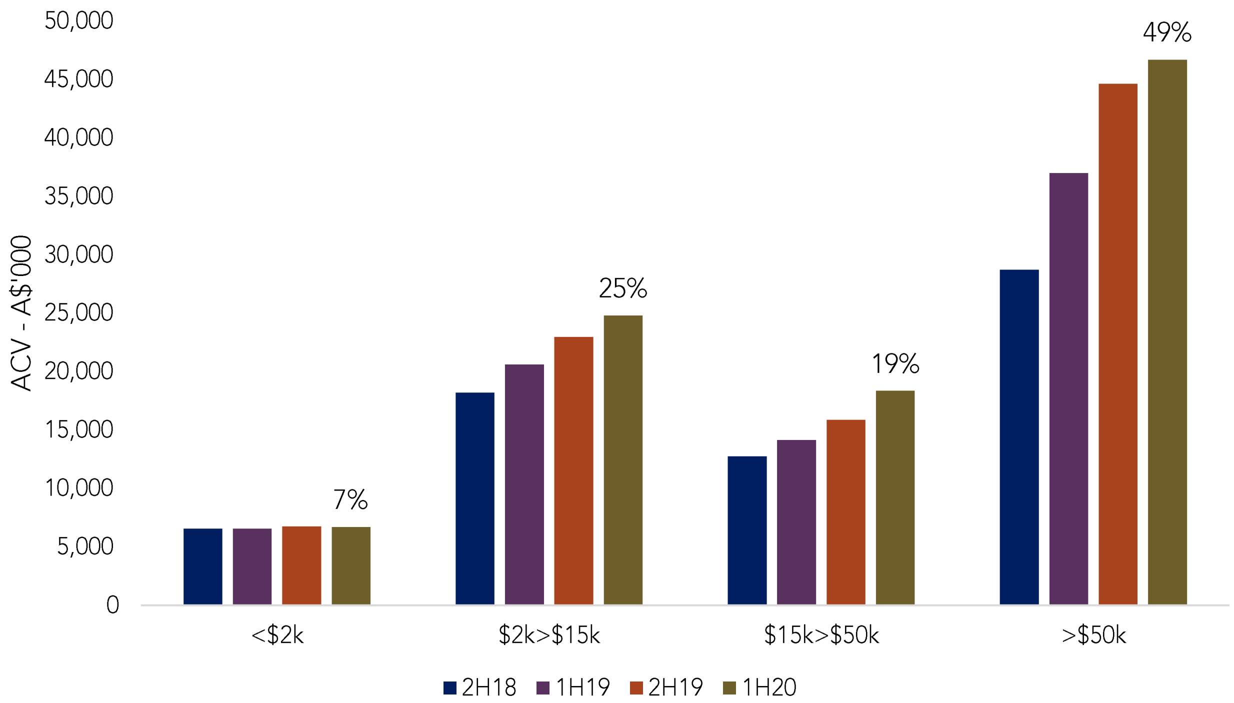
Group portfolio LTV decreased to $571m (FY19: $1,175m). The decrease in Group LTV was significantly impacted by the three-enterprise churn/downgrade events in NA.

Group ACV portfolio by industry (%)



The Group ACV portfolio is diversified across key focus industries. The sector represented as Commercial/Other demonstrates the broad range of applications of Nearmap's content for commercial purposes.

Group ACV by subscription size



Growth in the Group ACV portfolio continued to be generated across the range of subscription sizes. There was strong growth across the Mid-Market and Enterprise subscriptions as these accounts continue to experience an increasing return on investment with Nearmap.

Other metrics (as a % of the overall portfolio)

	1H19	1H20
Top 10 customers	18%	19%
Multi year deals	36%	42%
Premium content	20%	42%

FTE Breakdown

As at 31 December 2019

As at 31 December 2019	Sales and Marketing	Product / Technology / Capture	Corporate	Group
ANZ	52	121	58	231
NA	66	15	15	96
Total	118	136	73	327

As at 30 June 2019

As at 30 June 2019	Sales and Marketing	Product / Technology / Capture	Corporate	Group
ANZ	43	101	48	192
NA	55	13	12	80
Total	98	114	60	272

Segment performance

The segment results for the business for 1H20 (with 1H19 as a comparative) are set out in the tables below, with individual segment performance set out further below.

The NA segment discussion is presented in USD, and these USD results have been converted to AUD at the applicable exchange rates for each period.

Segment Performance

	1H20				US$'000
A$'000	ANZ	NA	Unallocated	Total	NA
Revenue	29,623	16,724	-	46,347	11,444
Total revenue	**29,623**	**16,724**	-	**46,347**	**11,444**
Capture cost amortisation	(3,050)	(11,563)	-	(14,613)	(7,914)
Storage, administration & other	(453)	(2,257)	-	(2,710)	(1,546)
Total cost of revenue	**(3,503)**	**(13,820)**	-	**(17,323)**	**(9,460)**
Gross profit	**26,120**	**2,904**	-	**29,024**	**1,984**
Gross margin %	**88%**	**17%**		**63%**	
Direct sales & marketing	(4,461)	(9,759)	-	(14,220)	(6,676)
Indirect sales & marketing	(2,456)	(3,818)	-	(6,274)	(2,613)
Total sales & marketing cost	**(6,917)**	**(13,577)**	-	**(20,494)**	**(9,289)**
General & administration	(5,619)	(4,698)	(9,720)	(20,037)	(3,171)
Overhead depreciation	(961)	(731)	(691)	(2,383)	(502)
Other income	-	-	615	615	-
Interest expense	-	-	(317)	(317)	-
Total general & administration	**(6,580)**	**(5,429)**	**(10,113)**	**(22,122)**	**(3,673)**
Segment contribution	**12,623**	**(16,102)**	**(10,113)**	**(13,592)**	**(10,978)**
Amortisation & depreciation				(5,130)	
Foreign exchange				(489)	
Loss before tax				**(19,211)**	
Income tax benefit				604	
Loss after tax				**(18,607)**	

A$'000	1H19 ANZ	NA	Unallocated	Total	US$'000 NA
Revenue	25,719	9,767	-	35,486	7,069
Total revenue	**25,719**	**9,767**	-	**35,486**	**7,069**
Capture cost amortisation	(1,065)	(3,461)	-	(4,526)	(2,506)
Storage, administration & other	(340)	(1,379)	-	(1,719)	(1,000)
Total cost of revenue	**(1,405)**	**(4,840)**	-	**(6,245)**	**(3,506)**
Gross profit	**24,314**	**4,927**	-	**29,241**	**3,563**
Gross margin %	**95%**	**50%**		**82%**	
Direct sales & marketing	(3,850)	(5,806)	-	(9,656)	(4,205)
Indirect sales & marketing	(1,429)	(1,589)	-	(3,018)	(1,150)
Total sales & marketing cost	**(5,279)**	**(7,395)**	-	**(12,674)**	**(5,355)**
General & administration	(4,082)	(4,059)	(5,075)	(13,216)	(2,941)
Overhead depreciation	(114)	(200)	(44)	(358)	(145)
Other income	-	-	826	826	-
Interest expense	-	-	(2)	(2)	-
Total general & administration	**(4,196)**	**(4,259)**	**(4,295)**	**(12,750)**	**(3,086)**
Segment contribution	**14,839**	**(6,727)**	**(4,295)**	**3,817**	**(4,878)**
Amortisation & depreciation				(3,686)	
Foreign exchange				181	
Profit before tax				**312**	
Income tax expense				(2,286)	
Loss after tax				**(1,974)**	

North America segment

The NA segment is responsible for all sales and marketing efforts in the United States and Canada.

All figures in this section are stated in United States dollars.

US$'000	1H19	2H19	FY19	1H20	YoY %
Opening ACV	12,868	17,641	12,868	22,683	76%
New business	3,678	4,191	7,869	4,016	9%
Net upsell	1,366	1,145	2,511	1,583	16%
Churn	(271)	(294)	(565)	(3,333)	(1,130%)
Net incremental	4,773	5,042	9,815	2,266	(53%)
Closing ACV	17,641	22,683	22,683	24,949	41%
Opening subscriptions	946	1,178	946	1,425	51%
New business	293	351	644	306	4%
Churn	(61)	(104)	(165)	(96)	(57%)
Closing subscriptions	1,178	1,425	1,425	1,635	39%
ACV 12 month churn (%)	6.1%	4.4%	4.4%	20.6%	
Closing ARPS ($)	14,975	15,918	15,918	15,260	2%
Capture cost amortisation	(2,506)	(7,467)	(9,973)	(7,914)	(216%)
Revenue	7,069	10,368	17,437	11,444	62%
Cash costs to capture	(5,493)	(6,118)	(11,611)	(6,579)	(20%)
Storage, administration & other	(1,000)	(1,255)	(2,255)	(1,546)	(55%)
Cost of revenue - pre-capitalisation	(6,493)	(7,373)	(13,866)	(8,125)	(25%)
Gross margin - pre-capitalisation	576	2,995	3,571	3,319	476%
Gross margin (%) - pre-capitalisation	8%	29%	20%	29%	
Direct sales cost	(4,205)	(5,072)	(9,277)	(6,676)	(59%)
Sales Team Contribution Ratio (%)	113%	99%	106%	34%	
Indirect sales cost	(1,150)	(1,677)	(2,827)	(2,613)	(127%)
Total sales & marketing cost	(5,355)	(6,749)	(12,104)	(9,289)	(73%)
Overheads	(3,086)	(3,359)	(6,445)	(3,673)	(19%)
Segment EBIT	(4,878)	(8,462)	(13,340)	(10,978)	(125%)
Segment EBIT %	(69%)	(82%)	(77%)	(96%)	

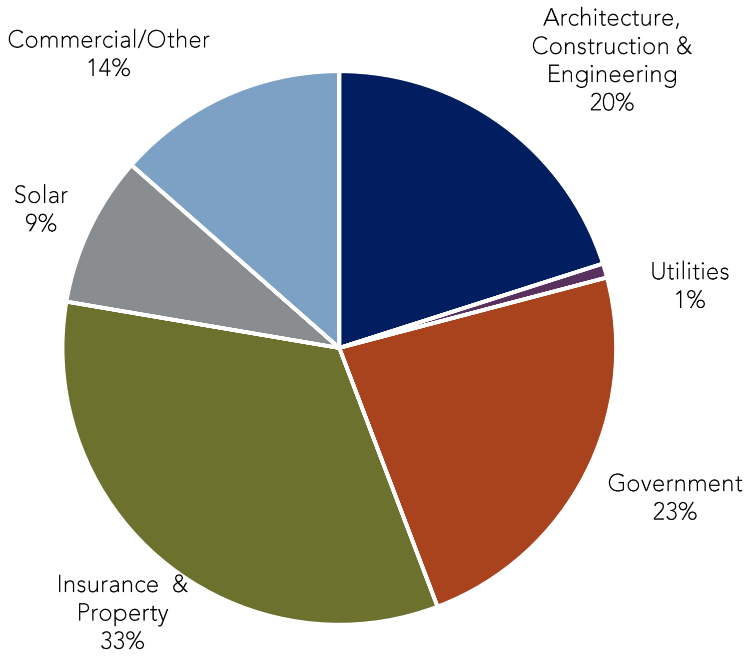
NA ACV portfolio

During 1H20, the NA ACV portfolio increased from $22.7m to $24.9m. The components of this growth represent:

- **New business** of $4.0m shows a 9% increase on pcp and reflects the continued effectiveness of sales and marketing customer acquisition strategies, validating the continued investment in this area.
- **Net upsell** of $1.6m shows a 16% uplift on pcp. It should be noted this metric was negatively impacted by a one-off event in 1H20. Excluding this, net upsell would have grown 165% on pcp, which highlights the increasing value that existing customers are experiencing from using Nearmap, and the success of cross-sell into new products and features.
- **Customer churn** for the 12 months to 31 December 2019 (representing the dollar value of subscriptions not renewed in a 12-month period compared to the opening ACV value) was 20.6% (FY19: 4.4%). There were two significant churn/cancellation events in 1H20, the first relating to the slowdown in mapping for the autonomous vehicle industry and the second relating to the cancellation of a large contract by a partner which was subject to a permanent court injunction. 12-month rolling churn excluding these two events was on par with previously reported numbers.

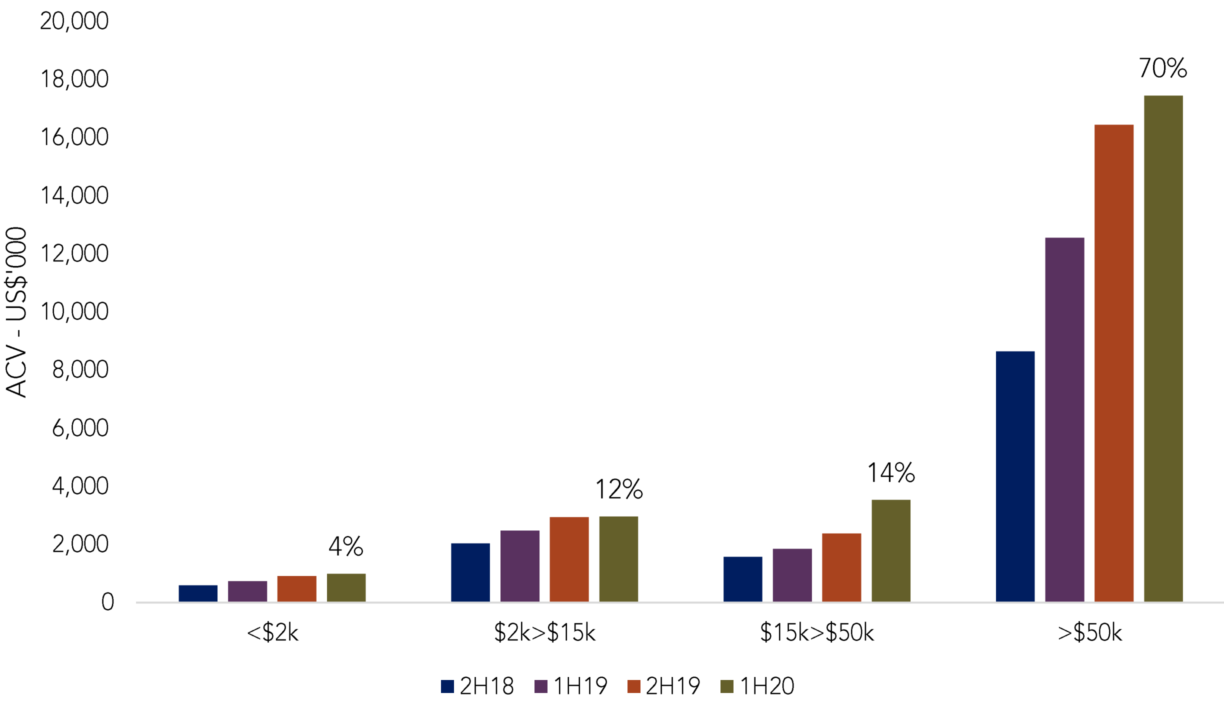
The **number of subscriptions** grew by 39% to 1,635 (30 June 2019: 1,425), while ARPS decreased to $15,260 (30 June 2019: $15,918). The growth in volume of subscriptions combined with the minor reduction in ARPS is a reflection of Nearmap's intentional acquisition strategy of SME businesses in NA, a key focus for the continued scaling of business operations.

Customer portfolio at 31 December 2019 by industry segment



Along with the success in both the Enterprise and Mid-Market segments, the growing relevance of the product offering is exhibited by a diversified portfolio across key industry segments.

ACV portfolio by subscription size



All subscription size categories demonstrated growth during 1H20. This shows the inherent value and strategic significance of the Nearmap product suite for organisations of all sizes in key industry segments. The focus will remain on growing both the enterprise level customers whilst also addressing the significant opportunity that exists at the transactional end of the market, growing subscription numbers with small to medium enterprises (representing subscriptions below $15,000 p.a.) in 2H20.

Financial performance

NA revenue for the half was $11.4m (2H19: $10.4m) reflecting growth in the ACV portfolio.

Cash costs of capture were $6.6m, up from $6.1m in 2H19 reflecting the expanded capture footprint, including Canada.

Gross margin – pre-capitalisation grew to 29% in 1H20 (FY19: 20%).

Direct sales costs were $6.7m reflecting the strategic priority of investing for future growth, along with expanding marketing activities to support this growth. The performance of the NA sales team as measured by the **Sales Team Contribution Ratio** (STCR, being the incremental ACV generated in 1H20, compared to the direct cost of the sales and marketing effort) was 34% (FY19: 106%). Again, this shows the impact of the churn/downgrade events at the end of 1H20. Normalising to exclude these events would have delivered 1H20 STCR >100%.

Indirect sales & marketing costs (primarily reflecting sales management and administration functions) were $2.6m (2H19: $1.7m).

Overheads primarily represent the allocation of Corporate costs based on usage and activity. These were $3.7m (2H19: $3.4m).

NA Segment Contribution was ($11.0m) (2H19: ($8.5m)).

Australia/New Zealand segment

The ANZ segment is responsible for all sales and marketing efforts in Australia and New Zealand.

A$'000	1H19	2H19	FY19	1H20	YoY %
Opening ACV	**48,824**	**53,322**	**48,824**	**57,896**	**19%**
New business	2,609	3,590	6,199	2,851	9%
Net upsell	2,856	2,728	5,584	2,339	(18%)
Churn	(967)	(1,744)	(2,711)	(2,122)	(119%)
Net incremental	**4,498**	**4,574**	**9,072**	**3,068**	**(32%)**
FX Impact	-	-	-	1	
Closing ACV	**53,322**	**57,896**	**57,896**	**60,965**	**14%**
Opening subscriptions	**7,917**	**8,134**	**7,917**	**8,375**	**6%**
New business	659	698	1,357	544	(17%)
Churn	(442)	(457)	(899)	(473)	(7%)
Closing subscriptions	**8,134**	**8,375**	**8,375**	**8,446**	**4%**
Churn (%)	5.3%	5.6%	5.6%	7.2%	
Closing ARPS ($)	6,555	6,913	6,913	7,218	10%
Capture cost amortisation	(1,065)	(2,795)	(3,860)	(3,050)	(186%)
Revenue	25,719	27,454	53,173	29,623	15%
Cash costs to capture	(1,764)	(2,113)	(3,877)	(2,409)	(37%)
Storage, administration & other	(340)	(699)	(1,039)	(453)	(33%)
Cost of revenue - pre-capitalisation	**(2,104)**	**(2,812)**	**(4,916)**	**(2,862)**	**(36%)**
Gross margin - pre-capitalisation	**23,615**	**24,642**	**48,257**	**26,761**	**13%**
Gross margin (%) - pre-capitalisation	92%	90%	91%	90%	
Direct sales cost	(3,850)	(4,681)	(8,531)	(4,461)	(16%)
Sales Team Contribution Ratio (%)	117%	98%	106%	69%	
Indirect sales cost	(1,429)	(1,435)	(2,864)	(2,456)	(72%)
Total sales & marketing cost	(5,279)	(6,116)	(11,395)	(6,917)	(31%)
Overheads	(4,196)	(4,814)	(9,010)	(6,580)	(57%)
Segment EBIT	14,839	13,030	27,869	12,623	(15%)
Segment EBIT %	58%	47%	52%	43%	

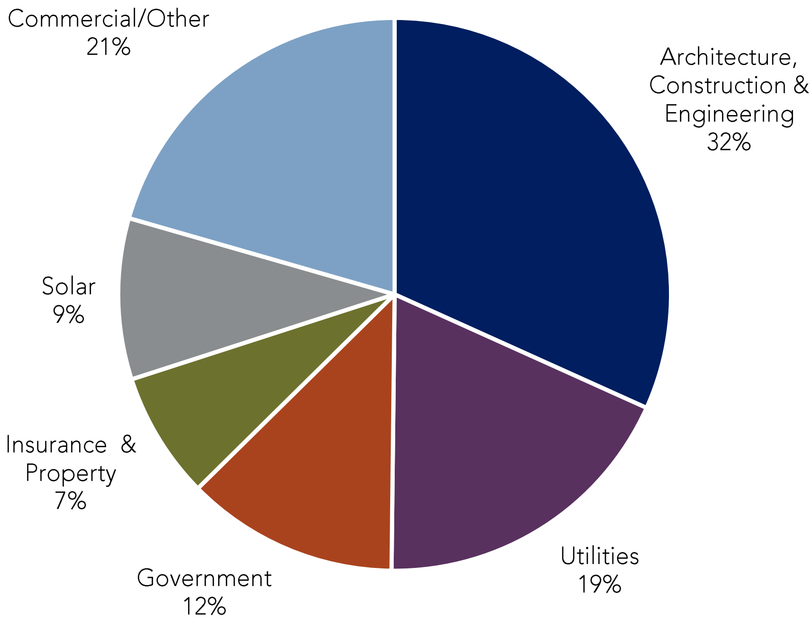
ANZ ACV portfolio

During 1H20, the ANZ ACV portfolio increased from $57.9m to $61.0m. The components of this growth were:

- **New business** of $2.9m showed a 9% increase on pcp, reflecting Nearmap's continued penetration of the total addressable market in Australia, translating the value of its industry-leading technology to new user groups across key industry segments in ANZ.
- **Net upsell** of $2.3m represents an 18% reduction on pcp, with penetration of new content partially offset by downgrade activities.
- **Customer churn** (representing the dollar value of subscriptions not renewed in a 12-month period compared to the opening ACV value) for the 12 months to 31 December 2019 was 7.2% (30 June 2019: 5.6%). Churn was adversely impact by the leadership challenges created by diverting ANZ sales management attention towards NA. This has been addressed, with ANZ sales leadership now strengthened and refocussed on the ANZ market.

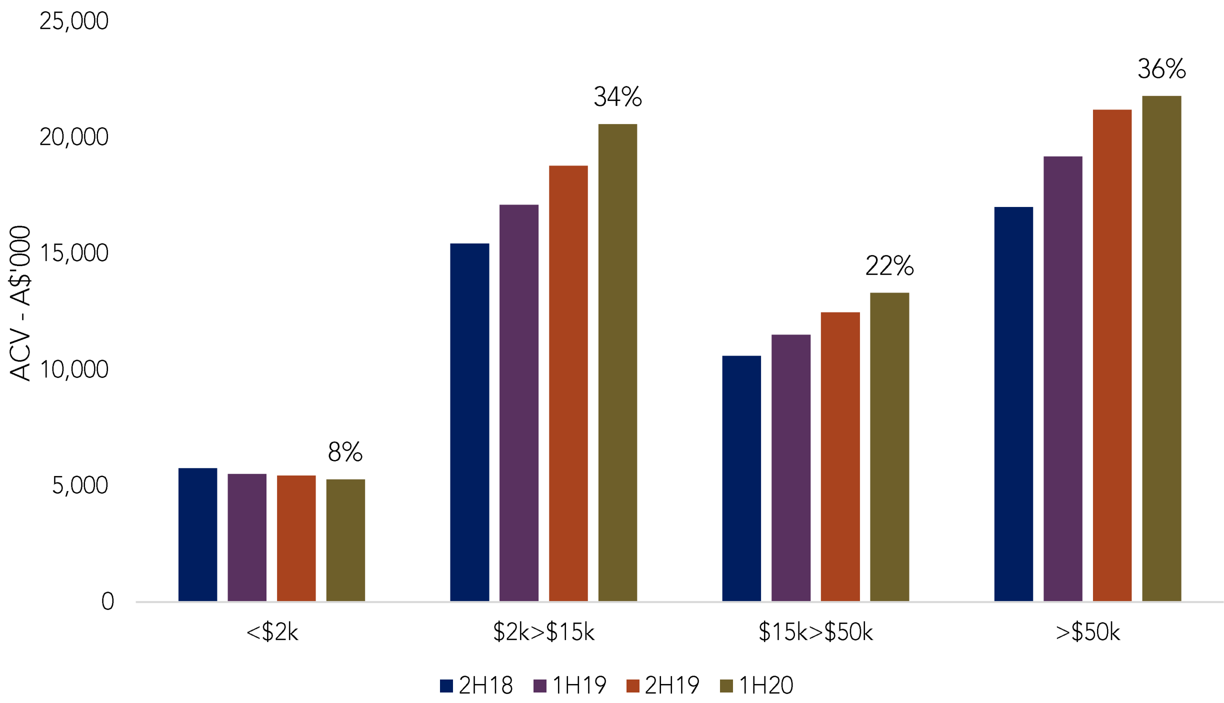
The **number of subscriptions** grew by 4% to 8,446 (30 June 2019: 8,375), while the ARPS grew 10% to $7,218 (30 June 2019: $6,913) demonstrating the increased value to customers of Nearmap's subscription content.

Customer portfolio at 31 December 2019 by industry segment



Portfolio diversification is consistent with prior periods across Nearmap's key industry verticals.

ACV portfolio by subscription size



The ACV portfolio is diversified across a range of businesses in size, with subscriptions to small and medium enterprises (subscriptions below $15,000 p.a.) representing 42% of the portfolio at 31 December 2019, and those to enterprise customers (subscriptions greater than $15,000 p.a.) being 58%. The weighting of subscriptions below $2,000 reduced as a percentage of the overall portfolio composition, with a number of these growing into the next tier, further strengthening the portfolio. All other subscription bands exhibited growth over the period.

Financial performance

ANZ revenue was $29.6m (2H19: $27.5m) reflecting growth in the ACV portfolio.

Cash costs of capture were $2.4m in 1H20 (2H19: $2.1m), incorporating an increased capture footprint.

Gross margins – pre-capitalisation has dropped slightly to 90%.

Direct sales costs were $4.5m which is a 16% increase on pcp, but consistent with 2H19 costs. The performance of the ANZ sales and marketing team as measured by the Sales Team Contribution Ratio (STCR, being the incremental ACV generated in 1H20, compared to the direct cost of the sales and marketing effort) was 69% (FY19: 106%). Execution issues impacting Net Upsell and Churn performance reduced the STCR over the period.

Indirect sales & marketing costs (primarily reflecting sales management and administration functions) were $2.5m (2H19: $1.4m).

Overheads represent the allocation of Corporate costs based on usage and activity. These were $6.6m (2H19: $4.8m).

ANZ segment contribution was $12.6m, 43% of revenue (2H19: $13.0m, 47% of revenue).

Unallocated costs

A$'000	1H19	2H19	FY19	1H20	YoY %
Interest income	647	906	1,553	502	(22%)
Other income	179	1	180	113	(37%)
Total revenue	**826**	**907**	**1,733**	**615**	**(26%)**
Allocation ANZ	(4,196)	(4,814)	(9,010)	(6,580)	(57%)
Allocation NA	(4,259)	(4,761)	(9,020)	(5,429)	(27%)
Corporate general & administration costs	(5,119)	(7,408)	(12,527)	(10,411)	(103%)
Interest expense	(2)	(22)	(24)	(317)	(15,750%)
Total general & administrative costs	**(13,576)**	**(17,005)**	**(30,581)**	**(22,737)**	**(67%)**
Segment contribution	(4,295)	(6,523)	(10,818)	(10,113)	(135%)
Technology & product					
Development capex	(6,358)	(8,759)	(15,117)	(10,824)	(70%)
Maintenance opex	(3,990)	(6,174)	(10,164)	(8,681)	(118%)
Total	**(10,348)**	**(14,933)**	**(25,281)**	**(19,505)**	**(88%)**
Development technology & product spend as % of revenue	17.9%	20.8%	19.5%	23.4%	
Net investing activities					
Development capex	(6,358)	(8,759)	(15,117)	(10,824)	(70%)
Corporate capex	(579)	(1,468)	(2,047)	(2,965)	(412%)
Total	**(6,937)**	**(10,227)**	**(17,164)**	**(13,789)**	**(99%)**

General & administration costs

G&A costs represent the administrative cost of running the Technology and Product functions, as well as running the business (including Finance, internal IT, Human Resources, Corporate functions and the Nearmap Board). These costs are largely expensed as incurred and allocated to the three operating segments based on activity and usage. In 1H20, the costs remaining after allocation to the NA and ANZ were $10.4m (2H FY19: $7.4m), reflecting an increase in non-capitalised Technology and Product headcount and related general & administrative expense (discussed further below).

Technology and product

Development expenditure represents cash costs incurred in the construction of new camera systems and capitalised development costs of software and systems. These amounts are capitalised to the respective balance sheet assets and amortised over the applicable useful lives of those assets (3-5 years). These amounts have increased by $2.1m in 1H20 compared to 2H19. This reflects a $0.9m decrease in the manufacture of Hypercamera2 systems (compared to 2H19), offset by a $3.0m increase in development work on systems and software such as the 3D and AI/ML content. Total Technology and Product spend as a proportion of revenue has increased to 23% in 1H20.

Maintenance expenditure represents the cash cost of servicing existing software and camera systems. These costs are expensed to the segments as follows:

- Maintenance of camera systems expensed to cost of revenue in the respective distribution segments
- Maintenance of software and systems expensed to general and administrative expenses, allocated to the operating segments based on activity and usage.

The costs of $8.7m reflect the servicing required for the fleet of camera systems and related software applications.

Consolidated statutory profit or loss

A$'000	1H19	2H19	FY19	1H20	YoY %
Revenue	35,486	42,156	77,642	46,347	31%
Interest income	647	906	1,553	502	(22%)
Other income	179	1	180	113	(37%)
Total revenue	**36,312**	**43,063**	**79,375**	**46,962**	**29%**
Expenses					
Employee benefits expense	(16,221)	(20,622)	(36,843)	(27,760)	(71%)
Amortisation and depreciation	(8,570)	(18,089)	(26,659)	(22,126)	(158%)
Other operational expenses	(11,388)	(14,107)	(25,495)	(15,481)	(36%)
Total expenses	**(36,179)**	**(52,818)**	**(88,997)**	**(65,367)**	**(81%)**
Net finance (costs)/income	**179**	**(394)**	**(215)**	**(806)**	**(550%)**
(Loss)/profit before tax	**312**	**(10,149)**	**(9,837)**	**(19,211)**	**(6,257%)**
Income tax expense	(2,286)	(2,811)	(5,097)	604	126%
Loss after tax	**(1,974)**	**(12,960)**	**(14,934)**	**(18,607)**	**(843%)**

The results are extracted from the reviewed consolidated statement of comprehensive income.

Revenue – Revenue primarily represents subscription revenue recognised over the life of the underlying subscription contract with the customer in each respective financial period. Revenue increased 31% pcp to $46.3m (2H19: $42.2m) reflecting the growth of the subscription ACV portfolio in both ANZ and NA.

Interest income – Interest income represents interest earned by the company on its cash deposit holdings.

Other income – Other income represents gain on disposal of assets.

Expenses – Key expense categories represent:

- Employee benefits expense represents the direct and indirect costs of employing Nearmap staff and directors, including non-cash share-based payments expense. These costs in 1H20 were $27.8m (2H19: $20.6m), driven by an increase in headcount (55 additional heads in 1H20) and activity across the business.
- Amortisation and depreciation reflect the expense applied to the Group's tangible and intangible assets. The variance reflects:
    - The acceleration of capture cost amortisation as a result of the 1 January 2019 change in amortisation period from 5 years to 2 years
    - The adoption of AASB16 with rent expenses now replaced by the depreciation of right-of-use assets
    - Increased capture/development/PP&E costs, in line with business expansion
- Net foreign exchange differences represent unrealised differences in the translation of the foreign-denominated bank account balances (USD) held in Australia from foreign currency into functional currency (AUD). Realised differences relate to payments to suppliers in foreign currencies.
- Other operational expenses represent other costs incurred by the Group in the scaling of its operations, including flight capture costs, cloud-based processing and storage costs, travel, administrative costs and other corporate expenses.

Tax – Tax benefit for the period was $0.6m. Per the following table, the main component of this is current year losses for which not deferred tax asset is recognised. As at 31 December 2019, the Group has an unrecognised deferred tax asset of $22.6m in respect of US tax losses (30 June 2019: $18.3m). The group has not recognised any further deferred tax assets in relation to the US tax losses in the current reporting period. The Group also had a significant overprovision of current tax liability ($0.7m) in FY19 mainly due to the underestimation of the R&D tax credit in Nearmap Australia, which was estimated based on the FY18 return. For this reason, for the purposes of the 31 December 2019 provision, the R&D grant was not booked as a permanent difference based on 38.5% of the FY19 return, but instead, the immediate deduction of development costs was treated as an income tax deduction at 30%.

A$'000	1H19	2H19	FY19	1H20
Total profit/(loss) before tax	**312**	**(10,149)**	**(9,837)**	**(19,211)**
Prima facie tax benefit at 30%	(94)	3,045	2,951	5,763
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
R&D grant	91	90	181	-
Effect of US tax rates	(265)	(1,408)	(1,673)	(947)
Share based payments expense	(155)	(350)	(505)	(400)
Entertainment expenses	(52)	(36)	(88)	(196)
Current year losses for which no deferred tax asset is recognised	(1,814)	(4,005)	(5,819)	(4,360)
Over provision in the prior year	3	(147)	(144)	744
Current year tax expense	**(2,286)**	**(2,811)**	**(5,097)**	**604**

Reconciliation of statutory net loss after tax to EBIT & EBITDA

A$'000	1H19	2H19	FY19	1H20	YoY %
Loss after tax	(1,974)	(12,960)	(14,934)	(18,607)	(843%)
Income tax	2,286	2,811	5,097	(604)	126%
Interest income	(647)	(906)	(1,553)	(502)	(22%)
Interest expense	2	22	24	317	(15,750%)
Foreign exchange	(181)	372	191	489	370%
EBIT	**(514)**	**(10,661)**	**(11,175)**	**(18,907)**	**(3,578%)**
Depreciation & amortisation	8,570	18,089	26,659	22,126	(158%)
EBITDA	**8,056**	**7,428**	**15,484**	**3,219**	**(60%)**

Consolidated balance sheet

A$'000	31 Dec 18	30 Jun 19	31 Dec 19
Current assets			
Cash and cash equivalents	81,333	75,914	49,621
Trade receivables	16,248	14,535	23,868
Other current receivables	1,861	3,078	3,195
Other current assets	1,180	2,663	3,761
Current tax receivable	144	-	-
Total current assets	**100,766**	**96,190**	**80,445**
Non-current assets			
Plant and equipment	13,387	16,782	36,300
Intangible assets	42,606	42,132	48,443
Deferred tax assets	3,794	3,086	4,481
Total non-current assets	**59,787**	**62,000**	**89,224**
Total assets	**160,553**	**158,190**	**169,669**
Current liabilities			
Trade and other payables	3,288	3,777	4,758
Unearned revenue	39,242	42,034	49,158
Employee benefits	4,142	5,701	5,518
Lease liabilities	-	-	4,434
Other current liabilities	4,255	5,446	9,370
Current tax liabilities	-	2,107	834
Total current liabilities	**50,927**	**59,065**	**74,072**
Non-current liabilities			
Deferred tax liabilities	10,786	10,190	10,490
Employee benefits	227	280	433
Lease liabilities	-	-	11,751
Other non-current liabilities	1,104	1,002	1,348
Total non-current liabilities	**12,117**	**11,472**	**24,022**
Total liabilities	**63,044**	**70,537**	**98,094**
Net assets	**97,509**	**87,653**	**71,575**
Equity			
Contributed equity	122,998	124,617	125,870
Reserves	13,358	14,843	16,461
Profits reserve	7,078	7,078	7,078
Accumulated losses	(45,925)	(58,885)	(77,834)
Total equity	**97,509**	**87,653**	**71,575**

Key balance sheet items represent:

Cash – The Group's cash holdings decreased to $49.6m (30 June 2019: $75.9m). A breakdown of the movement in the cash balance is shown in the following section.

Trade receivables – Amounts outstanding from customers were $23.9m (30 June 2019: $14.5m). The increase reflects the continued growth in ACV for the half and the significant number of subscriptions billed in the last month of December.

Other current assets – The increase in this balance of $1.1m vs 30 June 2019 represents an increase in general prepayments.

Plant and equipment and intangible assets – These balances represent fixed assets, camera assets, capitalised development costs, capitalised capture costs, right of use assets and intellectual property. The majority of the PP&E variance comprises the adoption of AASB16 and the inclusion of right of use assets and lease liabilities on the balance sheet. The growth in intangibles reflects the continuing investment in the expanded capture program, the development of new content and products, and the acquisition of technology assets from Pushpin.

Unearned revenue – Customer subscriptions are invoiced in full at the commencement of a subscription, with the balance initially recorded to unearned income and subsequently amortised to the income statement over the period of the subscription.

Employee benefits – Employee benefits have decreased by $0.2m vs 30 June 2019 primarily due to the payment of the FY19 bonuses.

Other current and non-current liabilities – General accruals have decreased $1.1m vs 30 June 2019. However, offset by the balance payable resulting from the acquisition of Pushpin and the reversal of lease incentive liabilities following the adoption of AASB 16.

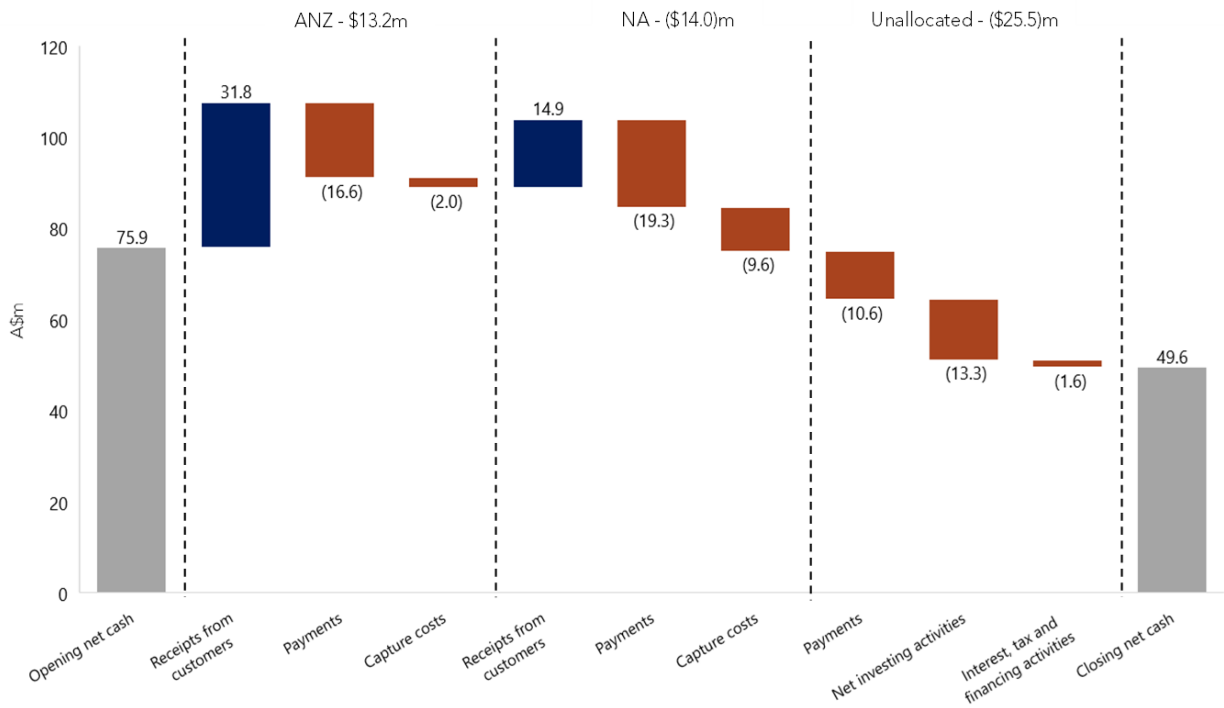
Financing

At 31 December 2019, Nearmap did not have any debt facilities in a place other than corporate credit card facilities. Funding for the Group's operations is provided by the cash inflows from the group's sales operations, interest on the Group's cash holdings and the Group's internal cash resources.

Consolidated operating cash flow

A$'000	1H19	2H19	FY19	1H20	YoY %
Receipts from customers	37,022	49,844	86,866	46,647	26%
Payments to suppliers and employees	(25,859)	(36,658)	(62,517)	(46,501)	(80%)
Interest received	189	1,215	1,404	618	227%
Other receipts	21	-	21	-	(100%)
Income taxes paid	(629)	(246)	(875)	(1,551)	(147%)
Net cash from operating activities	10,744	14,155	24,899	(787)	(107%)
Net cash from investing activities	(16,123)	(21,010)	(37,133)	(24,838)	(54%)
Net cash from financing activities	69,147	1,393	70,540	(655)	(101%)
Effect of movement in exchange rates on cash held	35	43	78	(13)	(137%)
Total movement	63,803	(5,419)	58,384	(26,293)	(141%)

Cash flow waterfall



Key components of the 1H20 cash flows represent:

ANZ – The ANZ segment generated free cash flows of $13.2m (2H19: $12.3m), with cash receipts of $31.8m offset by payments of $18.6m for sales and marketing expenses, allocation of corporate expense payments, capture costs and related net GST payments. Note that receipts were impacted by the timing of invoices raised and collections as at 31 December 2019 (see AR balance on balance sheet).

NA – The NA segment consumed free cash flows of $14.0m (2H19: $12.4m), with cash receipts of $14.9m offset by payments of $28.9m on sales and marketing expenses, allocations of corporate expense payments, capture costs and related sales tax remittances. Note that receipts were impacted by the timing of invoices raised and collections as at 31 December 2019 (see AR balance on balance sheet).

Unallocated – The Unallocated segment consumed cash flows of $25.5m, reflecting:

- Payments for general and administrative costs of $10.6m;
- Payments for product and technology capital investment split out as follows:
  - Development costs $7.0m
  - Plant and equipment $6.5m
  - Gain on sales $0.2m; and
- Net receipts of $1.6m in interest, tax and financing.

Appendices

Constant currency

FY19 Profit or Loss numbers have been revalued using the average 1H20 foreign exchange rate of AUD/USD 0.6845. ACV has been revalued using the 31 December 2019 spot rate of AUD/USD 0.7006.

	1H19	2H19	FY19	1H20	YoY %
Group ACV portfolio (A$'000)					
Opening ACV	**67,191**	**78,502**	**67,191**	**90,273**	**34%**
New business	7,860	9,573	17,433	8,584	9%
Net upsell	4,805	4,363	9,168	4,599	(4%)
Churn	(1,354)	(2,165)	(3,519)	(6,880)	(408%)
Net incremental ACV	**11,311**	**11,771**	**23,082**	**6,303**	**(44%)**
FX impact	-	-	-	-	
Closing ACV	**78,502**	**90,273**	**90,273**	**96,576**	**23%**
Group revenue	36,048	42,601	78,648	46,342	29%
Group gross margin (%) - pre-capitalisation	68%	68%	68%	68%	
12 month churn (%)	5.5%	5.2%	5.2%	11.5%	
Closing APPS ($)	8,430	9,212	9,212	9,580	14%
Portfolio LTV (A$m)	971	1,180	1,180	571	(41%)
Opening subscriptions	**8,863**	**9,312**	**8,863**	**9,800**	**11%**
New business	952	1,049	2,001	850	(11%)
Churn	(503)	(561)	(1,064)	(569)	13%
Closing subscriptions	**9,312**	**9,800**	**9,800**	**10,081**	**8%**
Group Sales Team Contribution Ratio	113%	97%	105%	44%	
Earnings					
Group EBITDA	7,497	7,040	14,537	3,120	(58%)
Group EBIT	(1,078)	(11,054)	(12,132)	(19,015)	(1,664%)
Statutory NPAT	(2,516)	(13,351)	(15,867)	(19,638)	(681%)

Foreign exchange rates

The following exchange rates were applied during each period.

	1H19	2H19	FY19	1H20
Average rate	0.7245	0.7063	0.7154	0.6845
Year end spot rate	0.7058	0.7013	0.7013	0.7006

Pre-capitalisation segment note

		1H19				1H20			
A$'000	ANZ	NA	Unallocated	Group	ANZ	NA	Unallocated	Group	YoY %
Revenue	25,719	9,767	-	35,486	29,623	16,724	-	46,347	31%
Total revenue	**25,719**	**9,767**	**-**	**35,486**	**29,623**	**16,724**	**-**	**46,347**	**31%**
Cost of sales (pre-capitalisation)									
Cash costs to capture	(1,764)	(7,586)	-	(9,350)	(2,409)	(9,619)	-	(12,028)	(29%)
Storage, administration & other	(340)	(1,379)	-	(1,719)	(453)	(2,257)	-	(2,710)	(58%)
Total cost of sales	**(2,104)**	**(8,965)**	**-**	**(11,069)**	**(2,862)**	**(11,876)**	**-**	**(14,738)**	**(33%)**
Gross profit (pre-capitalisation)	23,615	802	-	24,417	26,761	4,848	-	31,609	29%
Gross margin % (pre-capitalisation)	92%	8%		69%	90%	29%		68%	
Sales & marketing									
Direct sales & marketing	(3,850)	(5,806)	-	(9,656)	(4,461)	(9,759)	-	(14,220)	(47%)
Indirect sales & marketing	(1,429)	(1,589)	-	(3,018)	(2,456)	(3,818)	-	(6,274)	(108%)
Total sales & marketing	**(5,279)**	**(7,395)**	**-**	**(12,674)**	**(6,917)**	**(13,577)**	**-**	**(20,494)**	**(62%)**
Technology & product expensed	(428)	(162)	(3,400)	(3,990)	(885)	(907)	(6,889)	(8,681)	(118%)
Technology & product development costs [1]	-	-	(4,321)	(4,321)	-	-	(8,571)	(8,571)	(98%)
Total technology & product [2]	**(428)**	**(162)**	**(7,721)**	**(8,311)**	**(885)**	**(907)**	**(15,460)**	**(17,252)**	**(108%)**
Corporate	(3,654)	(3,897)	(1,676)	(9,227)	(4,734)	(3,791)	(2,831)	(11,356)	(23%)
Corporate development costs	-	-	(24)	(24)	-	-	(17)	(17)	29%
Total corporate	**(3,654)**	**(3,897)**	**(1,700)**	**(9,251)**	**(4,734)**	**(3,791)**	**(2,848)**	**(11,373)**	**(23%)**
Segment contribution (pre-capitalisation)	**14,254**	**(10,652)**	**(9,421)**	**(5,819)**	**14,225**	**(13,427)**	**(18,308)**	**(17,510)**	**(201%)**
Camera units [1]				(2,013)				(2,236)	(11%)
Corporate capex				(579)				(2,965)	(412%)
Total capex				**(2,592)**				**(5,201)**	**(101%)**
Other income				826				615	(26%)
Cash receipts from unearned income				5,442				7,124	31%
Capital raise net proceeds				67,146				-	
Other items				(1,199)				(11,321)	(844%)
Net increase/(decrease) in cash				**63,804**				**(26,293)**	**(141%)**
Other items:									
Interest expense				(2)				-	
Foreign exchange				181				(489)	
Income tax expense				(2,286)				604	
Payments for lease liabilities				-				(1,744)	
Capex disposal				6				163	
Foreign exchange adjustment on capex				-				(12)	
Working capital				(2,330)				(12,714)	
Share based payments				518				1,546	
Other movements in reserves				(143)				72	
Proceeds from exercise of share options				2,102				1,264	
Other movements in contributed equity				755				(11)	
				(1,199)				(11,321)	

[1] $1.0m of employment costs in 1H20 are capitalised to camera units on the balance sheet (2H19: $0.8m)
[2] Technology & product costs exclude the costs of camera units

Glossary of terms

Term	Definition
ACV	Annualised Contract Value – annualised value of all active subscription contracts in effect at a particular date
ARPS	Average Revenue Per Subscription – Portfolio ACV divided by the total number of subscriptions
Churn ACV	ACV value of subscriptions which are not renewed by a customer at the end of a subscription period, offset by the value of recovered subscriptions churned in the previous 12 months
Cost of Revenue	These represent the costs of capturing, processing and storing the aerial imagery. The two key components are as follows: - Capture flights, processing and related staff costs are capitalised to the balance sheet and amortised to the income statement over a 2-year useful life. Depreciation of existing camera systems are also capitalised to the balance sheet and amortised to the income statement. - Administration, storage, data layers, maintenance and technical support are expensed as incurred
EBITDA	Earnings before interest, tax, depreciation, amortisation, realised and unrealised foreign exchange gains/losses
FTE	Full-time employee equivalent
Incremental ACV	New Business ACV + Net Upsell ACV – Churn ACV
LTV	Lifetime Value= ACV portfolio value x Gross Margin: (pre-capitalisation %) / Churn %
Net Upsell ACV	ACV value of the net upsell and downsell on subscriptions renewed during or at the end of an existing subscription
New Business ACV	ACV value of subscriptions entered into during a period with a customer who has not previously been a Nearmap customer, or not a customer in the last 12 months
Gross Margin (pre-capitalisation)	This represents the gross margin of Nearmap's revenue after deducting the cost of capture, processing and storage of the imagery before any such costs have been capitalised
Sales Team Contribution Ratio	The ratio of incremental ACV generated by a sales team in a period, compared to the direct costs of obtaining that incremental ACV
Subscriptions	Subscriptions reflect the number of individual subscription contracts entered into by Nearmap customers

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